GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1105
ANSWERED ON:29.04.2016
Taxing Urban Development Bodies
Patil Shri Chandrakant Raghunath

Will the Minister of FINANCE be pleased to state:

(a) whether the Urban Development Authorities enjoy relief from Income Tax obligation and if so, the details thereof; and

(b) whether the Government of Gujarat has approached the Union Government on the issue, if so, the details thereof and the reaction of the Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(Shri Jayant Sinha)

(a): As per the existing provisions under the Income-tax Act, 1961 ('Act'), Urban Development Authority (UDAs) can claim tax exemption under the relevant provisions of the Act provided prescribed conditions are fulfilled. Exemption u/s 11 of the Act can be availed by entities having "charitable purpose" which are engaged in advancement of certain objects of general public utility [sec.2 (15)] and are registered u/s 12A, provided these should not, inter alia, be involved in carrying on any activity in the nature of trade, commerce or business etc. for a cess, fee or any other consideration if such aggregate consideration exceeds rupees twenty- five lakh. If any UDA falls in this category and fulfills all other prescribed conditions, tax exemption can be claimed. Tax exemption can also be claimed u/s 10(46) of the Act by UDAs constituted by the Central/State Governments provided these are not engaged in any commercial activities and other prescribed conditions are satisfied.
(b) Representation seeking suitable modification in the present tax laws for exemption in respect of income of the Urban Development Agencies (UDAs) was received from Government of Gujarat. The issue of exemption to UDAs was examined during budgetary exercise, 2016 and was not found feasible in view of the stated policy of the Government to do away with the exemptions and deductions in a moderate tax regime.
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